

TENNESSEE REGULATORY AUTHORITY

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460 James Robertson Parkway
Nashville, Tennessee 37243-0505
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August 15, 2005

Mr. Charles B. Welch, Jr.
Farris Mathews, Branam Bobango Hellen & Dunlap PLC
618 Church Street, Suite 300
Nashville, Tennessee 37219

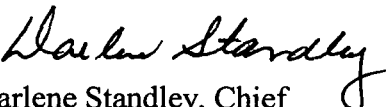
RE: Docket No. 04-000335 – Application of King's Chapel Capacity, LLC to Obtain a Certificate of Convenience and Necessity to Provide Wastewater Service to a Portion of Williamson County, known as Ashby Community.

Dear Mr. Welch:

We have received and reviewed King's Chapel Capacity ("KCC"), LLC's responses to the Staff's data request dated August 4, 2005. The attached data request questions are necessary to clarify the Company's responses and obtain additional information needed for the Authority to consider granting a Certificate of Public Convenience and Necessity ("CCN") to King's Chapel for the area identified in its petition.

It is requested that the Company's responses be provided no later than 2:00 P.M. on Monday, August 22, 2005, and that you reference Docket No. 04-00335 on the response. In accordance with TRA rules, submit either thirteen (13) written copies of your response, or four (4) written copies and one (1) electronic version. Should you have questions regarding any item number on the attached request, please contact Patsy Fulton (extension 193) or Pat Murphy (extension 178) at (615) 741-2904 for clarification before responding.

Sincerely,


Darlene Standley, Chief
Utilities Division

Attachment

C: Docket File

KING'S CHAPEL CAPACITY, LLC
DOCKET NO. 04-00335
APPLICATION FOR CCN TO PROVIDE WASTEWATER SERVICE TO ASHBY
COMMUNITY IN WILLIAMSON COUNTY, TENNESSEE

STAFF DATA REQUEST – AUGUST 15, 2005

When responding to the following questions, please repeat the question number and question, followed by the Company's response.

1. In its responses to several of Staff's August 4, 2005 data request questions, KCC responded that either "the plant has not yet been constructed" or "the Company has not yet begun construction." Please reconcile these statements with the language in the Settlement and Mutual Release Agreement (Section VII., subsections 1. and 2.) executed by the parties on July 25, 2005 and the Company's Petition, dated October 5, 2004, paragraph 2.
2. As a Limited Liability Company, registered with the Secretary of State to conduct business in Tennessee, KCC must conduct business under its corporate name. While the operation of the wastewater system has not commenced, KCC has incurred expenses, such as legal fees, consulting fees, and regulatory filing fees among others. Therefore, it would seem logical that KCC would have set up an accounting system and chart of accounts. Please explain how these various transactions are being recorded on KCC's books. Provide a current Income Statement for KCC for the 12 months ended July 31, 2005, reflecting all transactions.
3. As reflected by the Settlement and Mutual Release Agreement, KCC does have physical plant assets as of July 25, 2005. Also, if the owners of King's Chapel are providing the start up funding, a certain level of infused capital must have been made. Please provide a Balance Sheet showing the current assets and liabilities of KCC.
4. To satisfy the bonding requirements of Williamson County, Hang Rock LLC received two (2) letters of credit from First Tennessee Bank on behalf of King's Chapel. The Company's response to Staff's August 4 data request, question 5, states that these were issued based on the amount of cash on hand held by the owners of King's Chapel. Additionally, the response to Staff's August 4 data request, question 6, states that the only funding source available to KCC is the equity of the partners. Therefore, please provide copies of the personal financial statements of the owners that were used to secure the letters of credit.

5. The Company's response to Staff's August 4 data request, question 28, states that KCC does not have a projected time frame for the home build out in the two (2) subdivisions. Does KCC have a business plan for the construction of the wastewater system(s) in each of the proposed developments? If so, answer the following:
 - a. Provide a projected timeline for the construction of the proposed wastewater system(s).
 - b. Provide a projected time frame for King's Chapel Subdivision and Blackhawk Subdivision to be connected to the proposed wastewater system(s).
 - c. If the system will be built in phases, provide a description of each phase and an estimate of the capacity of each phase.
 - d. Provide a cost estimate of each phase.
6. In its response to Staff's August 4 data request, question 10, KCC provided a copy of its contract with James Johnson for technical oversight of its wastewater system(s). The contract does not contain the signature of Mr. Powell. Please provide a copy of the fully executed contract.
7. To establish a public need for the proposed wastewater system(s), please provide a letter from the developer, Ashby Community Development, expressing the need for wastewater service and stating its desire that KCC become its wastewater service provider.
8. In its response to Staff's August 4 data request, question 15, Mr. Powell submitted pre-filed testimony attesting to the public need as well as the financial, managerial and technical ability of KCC to provide wastewater service to the proposed development. Please provide a copy with a signed affidavit.
9. In response to Staff's August 4 data request, KCC stated in response to question 30 that, "At this time the Company has no operating history upon which to base a rate study. KCC's proposed initial tariff is based upon the tariff already approved by the TRA in Tennessee Wastewater Service's last rate case (Docket #99-00393)..." Accordingly, please provide justification for KCC's proposal to charge a \$25 disconnection fee rather than the \$10 disconnection fee approved for Tennessee Wastewater Service.